

Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.

**AFFIDAVIT OF TERRY D. APPENZELLER**

STATE OF ILLINOIS        )  
                                      ) SS:  
COUNTY OF COOK        )

TERRY D. APPENZELLER, being duly sworn, deposes and says:

**I.     Introduction and Qualifications**

1.     My name is Terry D. Appenzeller. My business address is 2000 West Ameritech Center Drive, Hoffman Estates, Illinois 60196-1025.

2.     I graduated in 1969 from the University of Redlands, California, with a BA in Business Economics. In 1988, I completed the Advanced Management Program in Telecommunications at the University of Southern California (USC). I have taught telecommunications policy at USC as part of their Executive MBA program.

3.     I have 29 years of telecommunications experience and have been employed by three different companies during that time frame. From 1969 to 1983, I was employed by Pacific Bell in various management positions in customer service, network operations, finance, installation and maintenance, budgets and results, regulatory and carrier relations. From 1983 to 1985, I was National Director of Carrier Relations at Satellite Business Systems (SBS). I was chiefly responsible for developing the Equal Access Plans of Pacific Bell and SBS.

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4. From 1985 to the present, I have been at Ameritech as, successively, Senior Director-Equal Access and Account Management, Senior Director-Open Network Architecture and Interconnection, and Vice President-Open Market Strategy. I was deeply involved in developing Ameritech's Open Network Architecture Plan in response to the Commission's Computer Inquiry III requirements (1988-1993). I was also deeply involved in the creation and development of the Ameritech Customers First Advanced Universal Access plan (1993-1995), which anticipated the local exchange market opening requirements of the Telecommunications Act of 1996 ("TA96" or the "Act").

5. I have been Ameritech Vice President-Open Market Strategy and Director-Local Competition since July 1993. My overall job responsibilities are to identify and resolve public policy issues associated with local competition throughout Ameritech's states, track local competition development, and direct Ameritech's responses to state and federal proceedings associated with local competition. One of my specific responsibilities is to manage and direct Ameritech's compliance with Sections 251 and 271 of TA96, including documentation of such compliance in long distance applications with state and federal regulatory agencies. I direct and coordinate the work activities of Ameritech's internal subject matter expert teams assigned to the "Competitive Checklist". Additionally, I represent Ameritech's positions and progress on these issues to regulators, including the collaborative Section 271 meetings with the Federal Communications Commission (the "Commission"),

Department of Justice ("DOJ") and state regulatory staffs. In carrying out my duties, I have also filed testimony and appeared before the Illinois Commerce Commission and Michigan Public Service Commission. I have also filed affidavits with the Commission in conjunction with Ameritech's long distance application in Michigan.

6. As part of my responsibilities, I review and use voluminous monthly reports prepared by Ameritech Information Industry Services ("AIIS"). AIIS is the Ameritech unit charged with tracking developments in local exchange competition and Ameritech's compliance with Sections 251 and 271 of TA96. In particular, AIIS tracks developments related to Ameritech's compliance with the Section 271 Competitive Checklist. All of the information presented in this affidavit is derived from AIIS reports from May and June 1998.

## **II. Purpose of Testimony**

7. In this affidavit, I intend to demonstrate that Ameritech has been a leader among incumbent local exchange carriers in the facilitation of local exchange competition, and believes it has met the requirements of the local exchange competition section of the Act, Section 251. Numerous CLECS are operational and are utilizing all three methods of providing service to customers contemplated in the Act -- resale of Ameritech's facilities, provision of competitive facilities and the combination of facilities obtained from Ameritech on an unbundled basis with competitive facilities.

**III. AMERITECH HAS PROMOTED AND PIONEERED LOCAL EXCHANGE COMPETITION AS WELL AS IMPLEMENTED THE LOCAL EXCHANGE COMPETITION PROVISIONS OF THE TELECOMMUNICATIONS ACT OF 1996**

**A. Ameritech Actions Prior to the Telecommunications Act**

8. In 1992, Ameritech began working with the existing CLECs to develop a plan for opening up the local exchange via switched facilities (competitive dial tone). Ameritech asked for their requirements and responded with a pioneering plan to meet all of their needs--the Ameritech Customers First Plan, which was filed with the Commission in March 1993. This plan developed unbundled offerings such as unbundled loops, pioneered methods for interconnecting competing networks on a peer-to-peer basis, and began the development process for Long Term Number Portability that eventually became the national architecture and operational plan. Ameritech actually began selling unbundled loops and interconnected CLEC switched services in 1995. The industry worked together in Illinois beginning in early 1995, through a Number Portability Workshop chaired jointly by Ameritech, AT&T and the Illinois Commerce Commission to design the Long Term Number Portability platform. Ameritech held extensive collaborative meetings with the Commission, DOJ and state regulators about the Customers First Plan--received input, modified our plans and implemented them. As a result, much of this pioneering work was incorporated into the Act itself and subsequent Commission orders.

Ameritech helped to facilitate local exchange competition, therefore, not only within our own territory, but nationally.

9. While Ameritech designed and developed a competitive local exchange entry plan with CLEC input and regulatory consultation, Ameritech also developed a new separate business unit--Ameritech Information Industry Services ("AIIS")--to serve competitors' local exchange needs. This unit was originally staffed with approximately 100 employees in 1993, and has now grown to over 1200 employees as local exchange carriers entered our market and availed themselves of Ameritech's offerings.

**B. Ameritech's Actions Subsequent to the Passage of the Act**

10. Ameritech did not have to start from ground zero when the Act was passed. Ameritech built upon what was already well underway. To date, Ameritech has spent over \$2 billion to further local exchange competition through:

- Increasing and enhancing the AIIS business unit staff, resources, space and service centers;

- Developing and implementing responsive electronic systems for handling CLEC pre-ordering, ordering, provisioning, maintenance and billing requirements. As a result, most CLEC orders are handled electronically today.

- Enhancing these systems to meet the most optimistic CLEC forecasts of demand with room to spare. AIIS, for example, routinely handles over 1000 orders for resale and unbundled elements each day.

-- Developing and implementing services and facilities for CLECs within Ameritech's network, such as Long Term Number Portability and a wide variety of unbundled loops.

-- Training of Ameritech and CLEC employees and providing up-to-date access, via a user friendly web site, to the latest offerings, procedures and updates.

11. Ameritech is an active, and often a leading, participant in industry standards organizations and forums dealing with interconnection issues. The company voluntarily implements industry consensus standards developed in these industry organizations.

12. Competing carriers are offering service in more than 80 percent of the communities Ameritech serves in its five states in the upper Midwest, and virtually every Ameritech community in Illinois and Michigan. Ameritech has fully implemented and made available all of the services and facilities contemplated by the provisions of Sections 251 and 271 of the Act, as summarized in the following paragraphs.

#### **IV. Ameritech Has Fully Implemented Each Requirement of Section 251(a)**

13. Ameritech believes it is fulfilling all of the duties imposed upon telecommunications carriers by Section 251(a) of TA96. Ameritech is directly or indirectly connected with the facilities of other telecommunications carriers that have requested such interconnection. In addition, Ameritech has not installed network features, functions or capabilities that do not comply with the guidelines and stan-

dards established pursuant to Sections 255 and 256. Ameritech fully supports all requirements associated with Section 255 – access to persons with disabilities. Ameritech also complies with Section 256 (Coordination for Interconnectivity) by active industry forum participation and standards organization membership. As noted earlier, Ameritech is often a leader of committees within these organizations.

**V. Ameritech Has Fully Implemented Each Requirement of Section 251(b)**

14. Ameritech believes it is fulfilling each of the duties imposed upon local exchange carriers ("LECs") by Section 251(b) of TA96. The following summary provides an overview of Ameritech's implementation of each item. The order and headings correspond to the headings that appear in Section 251(b).

**Resale**

15. Ameritech has been offering resale since prior to TA96. Ameritech currently is permitting resale of its telecommunications services on a reasonable and non-discriminatory basis in each of its five states pursuant to tariff, as required by Section 251(b)(1). It furnishes resale services to 39 carriers in its five states pursuant to interconnection or resale agreements, as required by Sections 251(c)(4), 252(d)(3) and 271(c)(2)(B)(xiv). The systems, methods and procedures by which these resold services are ordered, provisioned, billed, etc., and by which the nondiscrimination and parity requirements are satisfied are the same throughout the Ameritech region. As of May 1998, Ameritech had provisioned 635,000 lines to competitors on a resale



basis.<sup>1</sup> In addition, there has been a substantial amount of Centrex resale in the Ameritech region. Ameritech has established a specific business unit to focus strictly on Centrex resale. As of May 1, 1998, approximately 175,000 resold Centrex lines were in service in the Ameritech region.

### **Number Portability**

16. Ameritech is providing interim number portability ("INP") to carriers in all five states, in accordance with the requirements prescribed by the Commission pursuant to Section 251(b)(2). INP is being provided to these carriers pursuant to their interconnection agreements, as required by Section 271(c)(2)(B)(xi), via Remote Call Forwarding ("RCF") and Direct Inward Dialing ("DID").

17. Ameritech is providing Long Term Number Portability ("LTNP") in the following major metropolitan areas: Chicago, Detroit, Cleveland, Indianapolis, Milwaukee and Columbus. All of these were converted in 1998, as required by the Commission's Number Portability Order (June 26, 1996 First Report and Order). LTNP will be available in the remainder of Ameritech's major metropolitan areas during the second half of 1998, as required by the Number Portability Order. Ameritech has also made available LTNP in other smaller cities in Michigan and Illinois, such as Springfield and Champaign, pursuant to requests from other carriers.

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<sup>1</sup> Source: AIIS Competitive Checklist, May 1998.

18. Ameritech is working with carriers to transition customers served via INP to LTNP. Based on agreements reached by carriers in industry number portability forums, this transition requires 120 days. Once the conversion period in a given area is complete, INP is no longer offered in that area.

19. Where INP is available, Ameritech provides the service at no charge to the carrier. Recovery of costs is subject to development of a competitively neutral cost recovery mechanism. For LTNP, the Commission has developed a cost recovery mechanism that is due to be implemented in February 1999.<sup>2</sup>

20. As of July 1, 1998, Ameritech has ported approximately 2,700 numbers in the five states using LTNP and 108,000 using INP.

#### **Local Dialing Parity**

21. Ameritech has been and currently is furnishing local dialing parity (through interconnection, number portability and nondiscriminatory access to phone numbers) on all of its switches and access lines, and to carriers that have interconnection agreements, in its five states. Thus, Ameritech is meeting the requirements of Sections 251(b)(3) and 271(c)(2)(B)(xii). More than 1.125 billion minutes of local inter-network calls were completed during April 1998 with full local dialing parity.

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<sup>2</sup> Third Report and Order in the Matter of Telephone Number Portability, Released 5-12-98, Docket 98-82.

**Telephone Numbers, Operator Services, Directory Assistance and  
Directory Listings**

22. Ameritech is furnishing to carriers in each of its five states non-discriminatory access to telephone numbers, directory assistance, operator services and directory listings pursuant to their interconnection agreements or tariff, as required by Section 251(b)(3). Ameritech's procedures for furnishing services are established and implemented on a region-wide basis, and ensure that the services are provided at parity, as required by Section 271(c)(2)(B)(vii). As of May 31, 1998, 477 directory assistance trunks and 197 operator services trunks from switches of competing carriers were in service in the five states.

23. Ameritech currently is furnishing listings in its white pages directories to carriers in every Ameritech state pursuant to their interconnection agreements. To date, a total of 42 carriers operating in all of the five states have provided listings to Ameritech for inclusion in its white pages directories. Ameritech's white pages directory policies are implemented on a region-wide basis and both the Michigan PUC and Ameritech's competitors have stated that Ameritech appears to provide these services at parity.

24. Although it is in the process of relinquishing the responsibility, Ameritech is still the Central Office Code Administrator in each of its in-region states. In that capacity, it furnishes nondiscriminatory access to telephone numbers for assignment to the networks of competing carriers, in accordance with the Central

Office Code Assignment Guidelines and the NPA Code Relief Planning Guidelines, under the oversight and complaint jurisdiction of each state's PUC and the Commission. Ameritech has furnished, and under its interconnection agreements continues to furnish, telephone numbers to competing carriers in compliance with Section 271(c)(2)(B)(ix).

25. As of June 1, 1998, Ameritech had assigned 1157 central office codes (typically the first three digits of a telephone number, referred to as an NXX) at no cost to competing local exchange carriers in its five states. Each NXX code can serve about 10,000 telephone numbers; thus, over 11 million numbers now are available to CLECs. This listing does not include any of the 635,000 lines taken and resold by competitors (see paragraph 15 above).

#### **Access to Rights-Of-Way**

26. Ameritech currently is making available to all competitors throughout all five states nondiscriminatory access to poles, ducts, conduits and rights-of-way, as required by Section 251(b)(4). The access available to these carriers is at rates that conform to the requirements of Section 224 and Section 271(c)(2)(B)(iii) on the terms and conditions approved by the telephone regulatory agency ("PUC") in each state. The procedures and methods by which Ameritech provides such access and ensures nondiscrimination and parity are employed on a region-wide basis, and were reviewed by the Commission and conceded by CLECs to conform to the requirements of Section 271. This remains true. To date, Ameritech has furnished compet-

ing carriers with access to approximately 748,229 feet of conduits and ducts and 211,907 poles in Michigan, 1,370,233 feet and 286,428 poles in Ohio, 103,916 feet and 117,664 poles in Indiana, 763,373 feet and 478,093 poles in Illinois, and 25,926 feet and 78,368 poles in Wisconsin.

### **Reciprocal Compensation**

27. Ameritech has established arrangements, through tariffs and interconnection agreements, to pay reciprocal compensation for local traffic in each state as required by Section 251(b)(5). Pursuant to these arrangements, Ameritech currently furnishes reciprocal compensation for the exchange of local traffic to dozens of carriers, including both CLECs and CMRS providers, in each in-region state, as required by Section 271(c)(2)(B)(xiii). The tariff rates were approved by the relevant state PUCs. The rates provided for in many of these interconnection agreements were the product of private negotiations between the parties, while the rates provided for in the remainder were arbitrated. In the case of arbitrated agreements, reciprocal compensation was paid through a true-up after the agreement was finally approved. A substantial amount of local traffic is being exchanged on an ongoing basis between Ameritech, on the one hand, and competing carriers, on the other. In fact, in April 1998, Ameritech handled 1.125 billion minutes of incoming and outgoing traffic subject to reciprocal compensation.

28. There is one major open issue with regard to reciprocal compensation. Ameritech, like many LECs, is in a dispute with certain CLECs who claim that

Internet Service Provider ("ISP") traffic is local traffic on which reciprocal compensation must be paid pursuant to TA96, the Commission's implementing regulations or Ameritech's approved interconnection agreements. This issue is presently before various state PUCs and state and federal courts in proceedings to which Ameritech is a party. In addition, the issue is pending before the Commission in CCB/CPD 97-30.

## **VI. Ameritech Has Fully Implemented Each Requirement of Section 251(c)**

29. Ameritech believes it is also fulfilling each of the duties imposed upon incumbent LECs ("ILECs") by Section 251(c) of TA96. The following summary provides an overview of Ameritech's implementation of each item. The order and headings correspond to the headings that appear in Section 251(c).

### **Duty to Negotiate**

30. In each of the five states, Ameritech has negotiated in good faith with any telecommunications carrier requesting negotiation of an interconnection agreement, as required by Section 251(c)(1). Such requesting carriers have included competing local exchange carriers ("CLECs"), resellers, CMRS providers and others. As a result of these negotiations, or arbitrations resulting therefrom, there are now 175 interconnection agreements in effect in the Ameritech states. Each of these agreements has been approved by the relevant state PUC, either as a voluntarily negotiated agreement under Section 252(e)(1) or as a result of an arbitration proceeding pursuant to Section 252(b)-(e).

### **Interconnection**

31. In each of the five states, Ameritech is providing interconnection to any requesting telecommunications carrier (i) at any technically feasible point, (ii) at parity with the interconnection Ameritech provides to itself and its affiliates, (iii) on a nondiscriminatory basis and (iv) on rates terms and conditions that are just, reasonable and nondiscriminatory, as required by Section 251(c)(2). Such interconnection is being provided pursuant to tariff and interconnection agreements in each state. Each of these agreements has been approved by the relevant state PUC, either as a voluntarily negotiated agreement under Section 252(e)(1) or as a result of an arbitration proceeding pursuant to Section 252(b)-(e).

32. Carriers can avail themselves of interconnection at any technically feasible point on Ameritech's network to exchange traffic, access call-related databases and access unbundled network elements. These available interconnection points include the line and trunk sides of the local switch, the central office cross connect points, out-of-band signaling transfer points and the trunk interconnect points on the tandem switch. As of June 22, 1998, about 182,491 interconnection trunks of competing carriers were in service in Ameritech's five-state territory.

33. The improvement in the trunk blocking rate has continued from May 1997 to the present. After consultation with Commission staff, Ameritech has taken a number of actions that have fueled this improvement. Specifically:

- Ameritech has increased the number of interconnection trunks by 248% (from 52,364 to 182,491), augmenting them at a rate faster than the growth of traffic exchanged with competitors over such trunks.
- Ameritech has developed and uses a call completion report that measures whether trunk group blockage and call blockage is at parity.
- The call completion report reflects the actual level of traffic being successfully completed, and thereby reflects trunk group size and successful rerouting of traffic.
- Pursuant to its interconnection agreements, Ameritech's recommended network interconnection and architectural practices are at parity with how Ameritech interconnects its own offices, and have been adopted by all CLECs.
- TCG's complaints have been resolved and interconnection is being provided to it at parity.
- Ameritech provides peg count and overflow data to CLECs that enables them to identify and correct trunk group blockage problems.

#### **Unbundled Access**

34. In each of the five states, Ameritech is providing, to any requesting telecommunications carrier, unbundled access to network elements for the provision of a telecommunications service, as required by Section 251(c)(3). This access is being provided (i) at any technically feasible point, (ii) on rates, terms and conditions that are just, reasonable and nondiscriminatory and (iii) in a manner that allows requesting carriers to combine elements in order to provide a telecommunications service. The access is being provided pursuant to tariff and interconnection agreements in each state.



35. Ameritech provides access to network elements located within wire centers on a physical collocation basis. Other forms of access to network elements can be accommodated if the elements are located outside of the wire center. Each of these access arrangements, as well as any other technically feasible wire center arrangements, are reviewed on an individual case basis, if requested by a CLEC.

#### **Resale**

36. Ameritech currently is offering its telecommunications services for resale at wholesale rates by both telecommunications carriers and non-telecommunications carriers (see paragraph 15 above). Ameritech does not prohibit, or impose unreasonable or discriminatory conditions or limitations on, the resale of such services. Carriers are free to resell those services to other carriers. Therefore, Ameritech believes it is in compliance with Section 251(c)(4).

#### **Notice of Changes**

37. In its Second Report and Order (Docket 96-98), the Commission adopted rules requiring ILECs to provide public notice regarding any network change that:

(1) will affect a competing service provider's performance or ability to provide service; or

(2) will affect the ILEC's interoperability with other service providers.

38. Carriers must include in their public notices, at a minimum, (1) the carrier's name and address, (2) the name and telephone number of a contact person,

(3) the implementation date of the planned changes, (4) the location(s) at which the changes will occur, (5) a description of the type of changes planned, and (6) a description of the reasonably foreseeable impact of the planned changes. The Commission identified two means by which a carrier could fulfill its public notice obligation: (1) by filing a public notice with the Commission or (2) through industry fora, industry publications, or the carrier's publicly accessible Internet site.

Ameritech has reviewed these rules internally with business unit and network personnel and has adopted procedures to file network change public notices directly with the Commission pursuant to filing requirements outlined in Section 51.329 (c).

39. As a result of Ameritech's ongoing filing of such public notices, it believes it is in full compliance with Section 251(c)(5).

#### **Collocation**

40. Ameritech is providing collocation consistent with Section 251(c)(6). Ameritech provides physical and virtual collocation to competitors in each state, under approved interconnection agreements and tariffs. Ameritech makes collocation available on terms and conditions and at rates established in the relevant agreements and also pursuant to tariff.

41. As of May 1, 1998, competing carriers were physically collocated in 113 and virtually collocated in 166 Ameritech wire centers, with 21 more wire centers scheduled for physical and 56 more scheduled for virtual activation in the third quarter of 1998. By collocating in those 263 offices, CLECs have the ability to

access 11 million access lines, including 4.8 million business lines. This is 63 percent of the business lines in the Ameritech-served region.

42. While there have been some disputes over the specifics of certain collocation arrangements, these have been resolved and Ameritech is in compliance with Section 251(c)(6).

#### **Ameritech Provides Interconnection To Facilities-based CLECs**

43. Ameritech has negotiated in good faith and entered into interconnection agreements with facilities-based CLECs in each of the five states, as required by Sections 251(c)(1) and 271(c)(1)(A). Each of these agreements has been approved by the relevant state PUC, either as a voluntarily negotiated agreement under Section 252(e)(1) or as a result of an arbitration proceeding pursuant to Section 252(b)-(e).

44. In each state, competitors are providing local exchange and exchange access to business customers, residential customers, or both, either exclusively over their own telephone exchange service facilities or predominantly over their own telephone exchange service facilities in combination with the resale of the telecommunications services of another carrier. There are at least 11 such facilities-based CLECs competing with Ameritech in Michigan, eight in Ohio, 14 in Illinois, six in Indiana and five in Wisconsin.

**VII. Ameritech Has Fully Implemented Each Item of the Section 271 Competitive Checklist.**

45. Ameritech believes it is providing products and services, prices, operational systems and performance benchmarks that implement each item of the Section 271 competitive checklist. The following summary provides an overview of Ameritech's implementation of those items not already addressed in the discussion above regarding Section 251. The order corresponds to the headings that appear in Section 271(c)(2)(B).

46. Information about the steps Ameritech has taken to ensure the quality of the access and interconnection it provides is contained in ¶¶ 31-36 above. Based on this evidence, Ameritech believes it is now providing its competitors with interconnection at parity.

47. Numerous competitors in every Ameritech state have available to them under their interconnection agreements non-discriminatory access to (i) all of the network elements that the Commission has required to be unbundled,<sup>3</sup> on terms and conditions and at rates consistent with Sections 251(c)(3), 252(d)(1) and 271(c)(2)(B)(ii), (iv-viii) and (x), (ii) standard combinations of elements required to be available by applicable state and federal law, and (iii) sub-element unbundling, to

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<sup>3</sup> In the Matter of the Local Competition Provisions in the Telecommunications Act of 1996, CC Docket No. 96-98 (rel. August 8, 1996).

the extent technically feasible, pursuant to Bona Fide Request ("BFR"). With the exception of local switching, which is available in every state but not yet taken by any competitor, Ameritech is providing all the core unbundled network elements to one or more competitors in each state.

48. Ameritech currently is furnishing unbundled local loops to 15 carriers throughout its region, and carriers in four of the five states are using the loops to provide local service. These carriers have available to them at least eleven different loop types – four varieties of 2-wire analog loops, a 4-wire analog loop, and six varieties of digital loops – on the terms and conditions and at the rates provided for in PUC-approved interconnection agreements or tariffs. Currently, approximately 94,600 unbundled local loops have been leased by competitors from Ameritech and 63,826 of these are already in service in the five states. The systems, methods and procedures by which the nondiscrimination and parity requirements for unbundled loops are satisfied have been implemented on a region-wide basis and Ameritech is confident that they fulfill the requirements of Section 271(c)(2)(B)(iv).

49. Ameritech currently has interconnection agreements providing for unbundled local transport in all five states. CLECs have purchased unbundled local transport in four of the five states under the terms of their interconnection agreements and pursuant to Section 271(c)(2)(B)(v). In addition, competitors such as MFS, TCG, and Consolidated Communications, Inc. ("CCI") are taking this service under access tariffs. Local transport, in the form of both dedicated and shared inter-office

transmission facilities, as defined by the Eighth Circuit, is available to these carriers under their interconnection agreements.

50. Local and tandem switching as defined by the Commission (see 47 C.F.R. § 51.319(C)(1) and (2)), currently are being offered by Ameritech in all five states. Therefore, Ameritech believes it is providing this item as required by Section 271(c)(2)(B)(vi). To date, no carrier has yet ordered unbundled local or tandem switching from Ameritech.

51. Ameritech currently is furnishing numerous carriers in each of the five states with access to 911 and E911 service pursuant to their interconnection agreements. Carriers also may obtain these services pursuant to tariffs in the states of Michigan and Wisconsin. As of June 1, 1998 there were 438 911 trunks in service for competing carriers in the five Ameritech states.

52. Ameritech has taken steps to rectify certain problems identified in the 1997 Michigan 271 proceeding by competitors, and it has improved the accuracy of its 911 databases, as requested by the Commission. Ameritech is confident that these services are provided today at parity with the service Ameritech provides to itself.

53. In addition, Ameritech is furnishing directory assistance and operator service to carriers in every state pursuant to their interconnection agreements or pursuant to tariff. Its procedures for furnishing services are established and implemented on a region-wide basis, and ensure that the services are provided at parity.

54. Ameritech currently is furnishing white page listings to carriers in every state pursuant to their interconnection agreements and as required by Section 271(c)(2)(B)(viii)(see ¶ 23 above). Ameritech's white pages directory policies are implemented on a region-wide basis and both the Michigan PUC and Ameritech's competitors have stated that Ameritech appears to meet this checklist item.

55. Ameritech has furnished, and under its interconnection agreements continues to furnish, telephone numbers to competing carriers in compliance with Section 271(c)(2)(B)(ix)(see ¶¶ 24-25 above).

56. Ameritech currently is furnishing access to its signaling and call-related databases to numerous competitors in every state pursuant to their interconnection agreements. Each competitor also has available to it access to signaling networks, call-related databases, and service management systems. The systems, methods and procedures by which such access is provided, and by which the nondiscrimination and parity requirements are satisfied, have been implemented on a region-wide basis. Currently, dozens of competitors, including interexchange carriers, independent telephone companies, cellular carriers and others are interconnected to Ameritech for purposes of access to call-related databases and signaling.

57. Ameritech has been and currently is furnishing local dialing parity (through interconnection, number portability and nondiscriminatory access to phone numbers) on all of its switches and access lines, and to all carriers that have intercon-

nection agreements, in its five states. Thus, Ameritech believes it is meeting the requirements of Section 271(c)(2)(B)(xii). Millions of minutes of local inter-network calls have been completed in 1998 with full local dialing parity.

58. Ameritech currently is furnishing access to its operations support systems ("OSS") to over 50 carriers in its five states pursuant to interconnection or resale agreements. These OSS perform five functions: pre-ordering, ordering, provisioning, maintenance and repair, and billing. The systems, methods, procedures and electronic interfaces by which these five services are performed and by which the nondiscrimination and parity requirements of Sections 251 and 271 are satisfied are the same throughout the Ameritech region. These resale and UNE customers have used Ameritech's OSS in transacting business, which has resulted in over 635,000 resale lines and 94,600 unbundled loops sold.

59. Ameritech believes it has resolved OSS issues previously identified by the Commission. The primary improvements have come as a result of three factors: (1) increased use of electronic interfaces by both Ameritech and competing carriers; (2) additional carrier experience with use of OSS access services provided by Ameritech; and (3) new documentation, via a Web site, of procedures for ordering and using OSS. I and others from Ameritech have had extensive discussions with the Commission staff about these improvements and the current status of OSS capabilities as part of the Section 271 collaborative meetings held this year. Similar



discussions have been held with state commissions and the DOJ in the same timeframe.

60. Ameritech now offers a fully operational electronic method of pre-ordering, ordering, provisioning, maintaining and billing for resale and all network elements (with the exception of unbundled tandem switching, which no CLEC has yet ordered). Over 750,000 electronic orders have been placed by CLECs with Ameritech. The interfaces have improved dramatically since the Michigan 271 Order was released in August 1997. Many of these improvements are reflected in the performance measurements developed during the last year. Ameritech has worked with each CLEC to convert from manual to electronic systems. As a result, the larger CLECs have converted or are in the process of testing their systems with Ameritech. Efficiencies are gained by both companies once the electronic conversions are implemented.

61. Use of Ameritech's electronic interfaces is growing. In May 1998, faxed orders constituted only 37 percent of CLEC OSS transactions, while almost two-thirds -- 63 percent -- were placed electronically. This has translated into substantial improvements in performance since May 1997. For example, the average due date selection time in 1998 has been 7.9 seconds, retrieval of customer service record data occurs in less than 20 seconds, the average installation interval for business services is 2.2 days, and the business due dates are met 97.4 percent of

the time. It is clear that the electronic interfaces are much more efficient and accurate than manual systems, especially for ordering.

62. To further assist CLECs, Ameritech has developed a Web site -- "TC.Net" -- that provides an easy to use and extensive search capability for ordering and OSS procedures. This new web site has been made available to all active carriers and the Commission.

63. Ameritech now provides competing facilities-based CLECs and resale competitors with electronic access to its OSS that is in every way the equal of the access it provides to itself. Use of these interfaces gives the CLECS all the tools that Ameritech retail representatives have at their disposal and is producing the kind of results that have enabled the expansion of the CLECS business described above. Therefore, Ameritech is confident that these services are provided today at parity, as required by Sections 251 and 271.

64. As a means of improving its quality service and demonstrating parity of performance between services provided to carriers and services provided to retail customers (to ourselves), Ameritech has developed an extensive array of performance measurements to supplement state measures. These are discussed in the affidavit of Wharton B. Rivers. In addition, Ameritech has provided extensive comments to the Commission in conjunction with the Notice of Proposed Rulemaking on Performance Measurements. There are approximately 100 different measurements that Ameritech believes are relevant to demonstrating both perfor-

mance quality and parity. These measurements cover the following categories of service:

- Pre-ordering and ordering processes and cycle time
- Reliability and availability of OSSs
- Resale performance
- Unbundled Network Element performance

65. Ameritech tracks its performance in each category on an individual carrier basis and makes industry average data, as applicable, available to each carrier in written reports that are discussed at service management meetings held on a regular basis. Parity comparisons with retail equivalents, where appropriate, are also provided to carriers.

**Ameritech is Ahead of the Commission's Implementation Schedule for IntraLATA Toll Dialing Parity**

66. Although not part of the competitive checklist, intraLATA toll dialing parity ("2PIC") is required by Section 271(e)(2). Ameritech has fully implemented intrastate intraLATA toll dialing parity in Illinois and Wisconsin. Implementation is complete in 70 percent of Ameritech's Michigan territory, with the remaining 30 percent to be completed ten days prior to February 8, 1999 (or earlier if Ameritech begins offering in-region interLATA services in Michigan). Ameritech is also on track to meet the February 8, 1999 deadline for LTNP implementation in Indiana and Ohio.

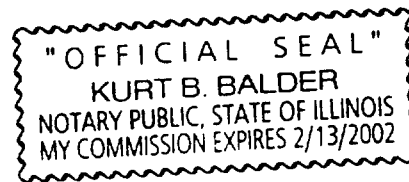
I declare under penalty of perjury that the foregoing statements are true and correct.

  
Terry D. Appenzeller

Sworn and subscribed before me

this 21<sup>ST</sup> of July, 1998

  
\_\_\_\_\_  
NOTARY PUBLIC



My Commission Expires: 2/13/02

Pursuant to 47 C.F.R. §§ 1.743(c), 1.913(c), 5.54(c), the preceding document is a copy of the original signed affidavit, which was filed as an attachment to Exhibit 2 to the Form 490 applying for the Commission's consent to transfer control of Part 22 licenses held by Detroit SMSA Limited Partnership from Ameritech Corporation to SBC Communications Inc. That Form 490 was filed concurrently with this application.

Attorney of  
Robert Jason Weiler

**AFFIDAVIT OF  
ROBERT JASON WELLER**

WASHINGTON                    )  
  ) SS:  
DISTRICT OF COLUMBIA )

ROBERT JASON WELLER hereby states and affirms as follows:

**I.       Introduction**

1.       I am Director, Corporate Strategy, Ameritech Corporation. My business address is 30 S. Wacker Drive, 37th Floor, Chicago, IL 60606.

2.       I received Bachelor of Science Degrees from the Massachusetts Institute of Technology (MIT) in Materials Science and Engineering in 1982 and in Humanities and Engineering in 1984. From 1982 to 1984, I was a junior member on the consulting staff of the Boston Consulting Group, an international strategic management consulting firm for clients ranging from a telephone equipment manufacturer to a diversified conglomerate. I also received a Masters in Business Administration Degree from the Graduate School in Business Administration at Harvard University in 1986.

3.       I joined Ameritech in August 1986, and have held a series of marketing, business development, and strategy positions of increasing responsibility in our directory advertising, local telephone, and corporate strategy organizations. In May 1994, I was promoted to Director, Corporate Strategy. My responsibilities include development of Corporate Strategies and growth initiatives, and support of both our domestic and

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international telecommunications units. I have also represented the company on the boards of various companies in which Ameritech has invested. I have spoken to various trade groups, university classes, and industry conferences in the U.S. and Canada on telecommunications issues.

4. Since 1989, I have worked on cross-company issues addressing various corporate issues and business development activities. In the past four years, I have directed and conducted industry opportunity assessments in over a dozen different arenas and over 100 different companies. I participated extensively in the SBC/Ameritech transaction, preparing financial and strategic recommendations for our senior management, conducting reviews of our respective businesses, and working closely with our outside advisors.

5. The purpose of this affidavit is to address several subjects. First, the affidavit discusses the importance of the merger for creation of an effective, competitive U.S. telecommunications carrier in the global marketplace. Second, it sets forth how the merger with SBC will advance our strategic objectives, including national and global expansion, will improve Ameritech's ability to serve its customers, and will benefit our shareholders. Third, it discusses the reasons Ameritech did not and could not pursue a national-local CLEC strategy prior to the merger, and why the merger makes that strategy possible.



## **II. Background**

6. Many of the recent changes in the telecommunications industry were set in motion by the Telecommunications Act of 1996 ("the Act"). The Act held the promise of full long distance relief and the removal of a number of the barriers which had limited our ability to serve customers. It also created a new regime for facilitating local competition. Marketplace and technological developments have also contributed to fundamental industry changes.

7. As a result of these regulatory, market, and technology developments, local and intraLATA toll competitors have grown substantially, operating with huge financial backing from the capital markets. And it is not just new entrants that are pursuing the local telecommunications business and taking advantage of the Act. AT&T's recent Teleport and TCI merger announcements represent investments by AT&T (totaling approximately \$60 billion) comparable to the market value of Ameritech. The WorldCom investments in MFS, UUNET, Brooks Fiber, and MCI are also comparable to the market value of Ameritech. Like AT&T, WorldCom sees a huge strategic opportunity in the local and long distance telecom businesses. These powerful combinations have emerged as the primary strategic competitors to most LECs, with (a) substantial financial strength, (b) leadership in various business segments, e.g., Internet, wireless, long distance, cable (with AT&T/TCI), etc., (c) robust networks in- and out-of-region, (d) strong brands, and (e) broad customer bases.

8. Wireless services continue to grow rapidly, and new digital technologies are leading to increased capacity and lower costs. The development of PCS networks is intensifying competition, and many PCS providers are able to offer a broad wireless footprint. The largest of these competitors, especially AT&T, Nextel, and Sprint PCS, are aggressively promoting their national footprints. AT&T and other wireless providers also clearly have designs on the local phone business, whether via straight wireless service or a fixed-wireless offering.

9. There are also dramatic increases in the amount of data traffic and in the role of the Internet, including Internet telephony. While data and Internet services offer enormous opportunities, local carriers such as Ameritech face significant challenges in successfully creating, integrating, operating, supporting, monitoring and upgrading full customer offerings that incorporate these services on a broad scale. Increasingly, businesses are looking for national and global reach to link their own computers together as well as with those of their suppliers and customers.

10. Significant recent mergers and joint ventures have been and are taking place in the industry, creating a collection of super carriers. These super carriers seek to serve large business customers, including multinationals, to build world class services and scale efficiencies, and to establish a significant presence in the United States, Europe and elsewhere. The competitors include the Global One partnership of Sprint, Deutsche Telekom, and France Telecom; the WorldCom/MCI/Brooks/MFS/UUNet/Telefonica partnership; the AT&T/TCI/Teleport - Worldpartners (Telstra of Australia, KPN of the

Netherlands, Telia of Sweden, Swisscom, etc.) partnership; Bell Atlantic/NYNEX; and the British Telecom/ Concert Venture.

11. In light of these industry developments, Ameritech has concluded that becoming a national and global company will create critical strategic opportunities that would not be available to a regional company. It would position Ameritech for higher sustained growth and to take advantage of the opening of the national and global telecommunications markets. The SBC merger, by providing additional resources, allows Ameritech to participate in creating a company with true national/global status.

### **III. The SBC/Ameritech Merger**

12. Ameritech will benefit from the merger in four principal ways. First, Ameritech will increase its global activities. Both Ameritech and SBC recognize the opportunities in the international marketplace, and are eager to combine to create a leader in the international telecommunications arena. The new SBC will have greater human and financial resources, and the overall skills required to participate in this marketplace, on a greater scale than Ameritech would as a stand-alone company. It will have the resources and commitment to project U.S. telecommunications services and marketing expertise throughout the world.

13. Second, the merger makes it possible for Ameritech to be part of a national/local strategy. Ameritech alone does not have the ability to expand its domestic footprint at the same time that it is financing new services and expanding internationally. Together, however, these companies can pursue domestic expansion strategies with the

human resources, earnings and cash flow from the combination, while continuing to manage the basic business successfully. The national/local strategy could not be achieved—and would not have been pursued—by Ameritech alone.

14. Third, the new SBC will improve and expand Ameritech's services and operations by combining the "best practices" of both companies. The skills of SBC and Ameritech are highly complementary, not simply overlapping. This builds on the consolidation efficiencies from the merger to create a world class company. There is a tremendous opportunity to integrate and apply each company's best practices in such areas as revenue growth, asset management, capital allocation, cost control, operational and engineering practices, marketing programs, and product offerings. Taking advantage of best practices, domestically and internationally, will drive growth, add services, create value for customers, and enhance value for shareowners. This opportunity would not be available to Ameritech alone.

15. Fourth, shareowners of our company likely will benefit financially from becoming part of the larger company. For our owners, regardless of their investment horizon, the initial premium is attractive and results in Ameritech shareowners owning 44% of the combined SBC/Ameritech (excluding SNET). For our owners with long term horizons, the accelerated long term growth prospects for the business are attractive. In addition, the combination also allows Ameritech's employees to be part of one of the most respected carriers in the industry, and provides these employees more opportunity than they would have as part of Ameritech alone.

**IV. The Merger Provides Considerable Benefits for U.S. Telecommunications Suppliers, Businesses, and Consumers**

**A. Geographic Expansion**

16. The SBC/Ameritech merger provides considerable public interest benefits through expansion to new geographic markets. Both Ameritech and SBC have built significant international holdings, collectively valued at \$14 to \$15 billion worldwide, significantly larger than any other U.S.-based telecommunications carrier. Through major investments in Belgium, Denmark, Hungary, and Norway, worth approximately \$8 billion, Ameritech has become the largest U.S. investor in Europe. All except Norway involve the incumbent domestic carrier. In addition, through its control position in TeleDanmark, Ameritech effectively has additional investments in 8 - 10 other European countries. SBC's international assets complement Ameritech's by adding holdings in South Africa, the Americas (Mexico, Chile), Asia (Korea, Taiwan, and SBC's Undersea Cable), and Europe (France, Switzerland, and the UK). SBC's investments include a mix of wireline and wireless, incumbent (South Africa and Mexico) and new entrant (France, Switzerland, Chile, UK) assets.

17. The new SBC will immediately be unique. No other U.S.-based company serves as many customers (via affiliates) internationally nor has as broad a reach of customers within the countries in which it operates. No other U.S.-based company holds as many telecommunications assets internationally, and none has made as large or as broad an investment in developing countries, including Mexico, Africa and countries in Central Europe. The new SBC's commitment to the resources and customers associated

with achieving economic development internationally is unrivaled. The combined company will further strengthen its leadership position by becoming a competitive carrier in over a dozen major metropolitan areas around the globe.

18. The new SBC's geographic expansion will provide several public interest benefits. First, the merger strengthens the ability of Ameritech and SBC to improve the operations and offerings of affiliates in several important ways.

(i) The resulting consolidation will free up additional SBC and Ameritech employees with marketing, technical, customer service, systems, and business process knowledge who can improve the operations and offerings of our affiliates and can jump start the competitive international activities. Experience demonstrates that such benefits are real and substantial. For example, prior to Ameritech's 1993 investment in MATÁV (the largest Hungarian telephone company), the waiting time for a residential phone was approximately 15 years; today, there is no backlog. MATÁV has increased the number of customer lines from 1.5 million in late 1993 to 2.4 million lines this year, an increase of 60%. MATÁV became the first Central European telephone company on the New York Stock Exchange in 1997, and has the highest market capitalization of any Hungarian corporation. Between 1996 and 1998, Belgacom greatly improved customer care (e.g., over 60% increase in number of customer calls answered, customer satisfaction more than doubled), and operator services (e.g., speed of answer improved by 70%, customer handling time decreased 18%, calls handled per month increased by over 50%). While Ameritech's ability to work with its affiliates has resulted in dramatic improvements in service levels and productivity, these levels remain below those achieved in the United States. Many of the services that our customers take for granted, from Centrex to calling cards to voice mail services, are not widely available internationally.

(ii) The merger provides enhanced domestic operating and marketing practices that can be exported from the United States and shared among international affiliates. The opportunity now exists to share technology and offerings not only from the new SBC but also across a broader set of affiliates, even on different continents. Ameritech's affiliate in Denmark, for example, has sold billing system software to our affiliates in Hungary and Belgium to the mutual benefit of the companies, and has exposed them to new product offerings they may choose to sell in the future.

(iii) The merger provides additional purchasing economies across suppliers, which should allow our international affiliates to expand their investments and services in their home markets. The merger will allow the benefits of purchasing scale and knowledge to improve the affiliates' operations and to expand the areas where new offerings and technology can be deployed.

19. Second, the merger provides the resources for increased global expansion, not only through investments in incumbents or established carriers, but through investments in new facilities and in new competitive services. Ameritech has been trying to grow its business internationally over the past several years, but it has been reluctant to make a major, significantly dilutive international investment. The result is that Ameritech has considered existing privatizations, usually in small to medium-sized countries, as the principal means of expansion, rather than start-ups or competitive initiatives. The merger allows the new SBC to take a bold leap into offering competitive international facilities and services in multiple countries on three continents.

20. Third, the broader scope of the combined company will enable U.S. companies to conduct international business more efficiently. In addition, the new SBC will contribute to economic development in a broad range of countries, thereby improving the economic climate and telecommunications infrastructure for U.S. companies doing business or considering doing business in these countries. Finally, the new SBC will contribute, through both its competitive activities and its participation in privatization, to the overall reduction in retail and wholesale international long distance rates (wholesale would include transit, termination, and settlement rates).

21. Fourth, large business customers have multiple locations across multiple states, regions, and continents. These firms (the largest 1%) represented approximately \$1.7 billion in 1997 Ameritech revenues, 11% of total revenues. This is an important target market for many CLECs, and as a result Ameritech has experienced significant losses in this segment. The new SBC provides the scope and scale to serve these customers as they wish to be served, via a single point of contact. The single point of contact benefits these customers in multiple ways: (a) it enables them to purchase equipment, systems, local, long distance, and other telecommunications services in bulk, thereby reducing their costs; (b) it enables them to have similar systems across sites over time; (c) because of the new SBC's scale, it will be able to devote more resources to meeting the needs of its large customers; and (d) the new SBC will have a single sales team focused on customers at the places of their choice, eliminating duplicate sales efforts across different regions. For example, an automaker with offices and plants in Michigan, Ohio, multiple other states, and overseas will be able to use a single point-of-contact for telecommunications services throughout its operation and, over time, receive consolidated billing.

22. Fifth, as a result of the advanced telecommunications investments of the new SBC, U.S. consumers will benefit from lower international long distance rates, as well as from improved access to goods and services internationally. For example, two of Ameritech's three largest European affiliates are already within the FCC's target pricing guidelines for inter-council national settlement rates and the third -- MATÁV -- has



among the lowest average settlement rates of Central European telephone companies. For U.S.-based companies and consumers, this means lower international long distance rates, lower overall telephone bills, and reduced barriers to conducting export businesses and other activities in these countries. In addition, U.S. business and consumers will benefit from the enhanced reliability of international terminations to many important countries.

23. Sixth, U.S.-based suppliers of telecommunications products and services will benefit from this expanded global presence. They already have benefited from Ameritech's presence in Europe. Ameritech has worked with these suppliers, and knows what they are capable of delivering. These suppliers often can improve business processes, productivity, and information flows. They can enable new services, including services required to implement interconnection and other pro-competitive capabilities. For example, Ameritech personnel brought selected U.S. suppliers to the attention of MATÁV and U.S. companies. MATÁV clearly benefited from the functionality these suppliers deliver. The capabilities brought to Hungary include: Data warehousing systems (HP), testing equipment (Teradyne), automated directory assistance platforms (IBM), network monitoring systems (Digital), wireless local loop technology (Motorola), work force management software (Silicon Graphics), and fault tolerant computers (Tandem/Compaq). Collective sales from these companies to MATÁV total approximately \$200 million. In Belgium, where process improvements are crucial to improving service, Ameritech personnel identified U.S.-based information technology

and networking consulting firms to improve Belgacom's processes and encourage the company to work with these firms. SBC and Ameritech expect to continue working with the strongest possible telecommunications suppliers internationally. Many of these suppliers are American companies. Thus, the merger will benefit U.S. suppliers as the footprint of the new SBC grows.

**B. Efficiencies and an Expanded Range of Products**

24. The new SBC will derive substantial efficiencies both from consolidation activities and from the sharing of best practices. It will also be able to offer an expanded range of products. The efficiencies will result from a dramatic improvement in the cost structure of the business, strengthening our long term low unit cost position. Ameritech's expectations for synergies are fully consistent with its experience between 1992 and 1995, when it consolidated from five local telephone companies into one. For example, significant duplicate corporate overhead, as well as other redundant functions, can be eliminated. By unifying purchasing across the companies, the new SBC should receive increased volume discounts. The savings can be used to upgrade systems and networks, and to invest in new research and development as well as in new services. This is consistent with Ameritech's experience in using savings from in-region consolidation to support customer service improvements and to expand our product offerings. This is the result both of increased efficiencies and of the use of combined best practices. The improved efficiencies will ultimately benefit customers and provide additional resources to finance future investments. Through expanded scale, Ameritech will be able to

strengthen its services and relationships. With larger volumes, the new SBC should be able to work with its suppliers to develop special products, meeting customer needs that those suppliers would be unable to meet on their own.

25. The opportunities for improving service and operating results by incorporating best practices are substantial and involve virtually all parts of the business. Ameritech has higher productivity (access lines per employee) than SBC's local telephone business, achieved through consolidating its in-region activities. For example, Ameritech has already improved its service on high-cap facilities by employing SBC's best practices at the urging of AT&T (see Rivers Affidavit). The new entity will be able to pull the best practices from four predecessor companies—PacTel, Ameritech, SBC, and SNET. Ameritech can bring the knowledge it gained when it centralized its carrier operations by combining five centers into one. Ameritech was able to take the best process management practices from each of the five centers and apply them to the new entity. Ameritech has seen a dramatic increase in customer service response times and improved network reliability, because of the consolidated operations and the application of best practice.

26. SBC employs best practices in developing new vertical features and services. Currently SBC is industry leading with 2.3 vertical features per phone line. In combination, Ameritech's customers can benefit by increasing their vertical features and having more efficient telecommunications services at home or in their offices. This would benefit both residential and business customers.

27. Even basic services may be enhanced by the merger. For example, bilingual skills have enabled SBC to publish directories in Spanish, while Ameritech does not yet publish any Spanish speaking directories anywhere in region. Ameritech has considered producing Spanish language directories in Chicago, and SBC's skills could be quite useful. These skills could also improve the quality of customer service Ameritech provides to its Spanish speaking customers, while Ameritech's experience in such languages as Polish could be of use to SBC.

28. The new SBC will be able to support a virtual customer service center. By having customers and local sites in four U.S. time zones, and across the globe, the new entity will be able to service customers' needs on a 24 hour a day basis, regardless of where they are located. For example, a customer in England can call with a billing question at 2:00 a.m. English time, which is 8:00 p.m. Chicago time, to talk to a customer service representative. Ameritech has not, as a stand alone company, had the base of customers or geographic scope to warrant these investments. In addition, over time, the new SBC will have uniform best practices customer care techniques across the globe, ensuring quality and availability of service.

29. The merger will enhance Ameritech's cellular roaming service capability by expanding our wireless reach to major markets in the Southwestern United States and on the East and West coasts. The expanded geography and consolidated mobile service support systems will allow for enhanced mobile security without the need for "PIN"

numbers and other unpopular security measures. The expanded geography will also improve Internet access, which will now be available on a more national basis.

30. Many new products that SBC and Ameritech have in test or in development today, such as ADSL, could be brought to market faster and less expensively if they were developed by a single team. Ameritech began testing its DSL service in October 1996. It launched its DSL service in Ann Arbor, Michigan in late 1997, has since expanded the service to Wheaton, Illinois and Royal Oak, Michigan, and has stated broad expansion goals for the service (i.e., 70 percent of homes passed). Other examples include long-distance and internet services. SBC is currently developing an IP/Virtual Private Network product, which Ameritech can utilize in the new organization. These cost savings can be used to fund other new service developments and other strategic opportunities. Services that currently go undeveloped because of high start-up costs will roll out to customers because the larger number of potential users for such services will support additional initial development activities. Services can be more extensively deployed to a broader base of customers more rapidly than as a stand alone company. The companies can also avoid duplicating many of the same steps -- hardware and software testing, market trials, and rollout development -- associated with deploying the same product offering. The new services will expand the range of different packages of services for customers of the new SBC. For example, once we receive interLATA relief we will be able to provide seamless mailbox-to-mailbox messaging between cities,

states and regions. Furthermore, as customers become more mobile and move their homes and offices, they will enjoy the same high level of customer service and quality products, regardless of their location.

**V. Ameritech has previously considered a significant CLEC strategy out-of-region, but had concluded it could not do that as a stand-alone company**

31. Ameritech has no plans to become an out-of-region CLEC and, absent the merger, would not do so. Four to five years ago, Ameritech considered a variety of options, the most serious of which was a launch of a Competitive Access Provider (CAP, the precursor to a CLEC), in St. Louis. At the time, the primary market for CAP services was local wholesale transport purchased by long distance carriers. None of the IXCs were willing to commit to buy our transport services prior to launching the service, although they often did this for MFS, Teleport, and others. Our reasons for electing not to pursue CAP opportunities at that time included such factors as the initial operating losses, significant investment requirements, high valuations for buying existing properties relative to how Ameritech was valued, difficulties in persuading long distance carriers to buy services from Ameritech out-of-region, and lack of materiality.

32. In addition to Ameritech Cellular's planned bundled offering to wireless customers in St. Louis (see Osland Affidavit), Ameritech unsuccessfully undertook a resold business service offering out-of-region to its large business customers. It successfully sold the service to only one customer, and it is no longer actively pursuing additional customers. The resale offering was launched in the fourth quarter of 1997 with

United Airlines (UAL). Ameritech resells 398 lines in California, 86 lines in Texas, and 118 lines in New York to UAL. As of June 25, 1998, the resold local service business for large customers has been capped at the existing customer base (UAL). The project rollout was halted because it was not achieving the desired numbers of customers and because the gross margins on reselling local access to large customers (which often had already negotiated volume contracts with local carriers) were too small to continue the effort.

33. Several factors have prevented Ameritech from pursuing CLEC opportunities on a large scale. First, Ameritech does not have the human resources necessary to pursue all of its other growth initiatives and material CLEC acquisitions. Ameritech is staffing new business units, providing employees for our international affiliates, supporting our Internet service launch, and constantly managing and upgrading our core business activities.

34. Second, such acquisitions would unfairly and negatively penalize Ameritech shareowners. Wall Street values the company largely on an earnings model, in which it measures how rapidly Ameritech is growing earnings and whether or not we are meeting analysts' earnings estimates. This differs from the asset valuation models used to value WorldCom, many of the CLECs, and most Internet Services and on-line businesses. The earnings-based valuation model generally penalizes Ameritech for investing in opportunities that dilute earnings in the short term, regardless of their long term outlook. All of the large CLEC options Ameritech might pursue would result in

substantial dilution in earnings for many years. That dilution—potentially as much as 10-25% of our earnings—would have a significant negative impact on our stock price. We are not alone in this concern. Two other RBOCs that have pursued aggressive dilutive investments have already spun off those businesses—AirTouch and Media One—out of concern that their stock prices did not reflect the value of the growth initiatives, since the business as a whole was largely valued on an earnings multiple.

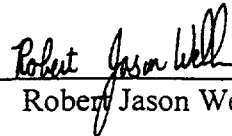
35. Third, Ameritech recognized that there were many capabilities and services we were not yet providing to our customer base. Ameritech had the choice of investing in developing these capabilities to pursue in-region opportunities, or investing in expanding our footprint. Our senior management concluded we could create more value and advance our strategies by expanding our investments to serve our base, rather than by geographic expansion as a CLEC. Ameritech instead decided to develop our PCS footprint; implement Digital Cellular (CDMA); market additional investments in our local exchange business; and invest in our cable, security, long distance, and Internet businesses, as well as expanding our international footprint.

36. Ameritech was not prepared to pursue a national or global CLEC strategy on its own. Ameritech recognized that others were pursuing competitive strategies in the marketplace, but our business units were focused on different, less dilutive avenues for growth and value creation. Even in partnership with others, Ameritech concluded that it could not accept the dilution of a "national/local strategy". Only through this merger is it possible for Ameritech to pursue this opportunity, with stronger cash flow, earnings



momentum from the merger, and the combined resources—people, business processes, and customers—of the combined company. The merger provides the efficiencies which can fund the short and medium term dilution, until the competitive launch becomes a contributor to earnings.

I declare under penalty of perjury that the foregoing statements are true and correct.

  
\_\_\_\_\_  
Robert Jason Weller

Sworn and subscribed before me

this 21 of July, 1998

  
\_\_\_\_\_  
NOTARY PUBLIC

~~My commission expires~~ November 31, 2002  
My Commission Expires: \_\_\_\_\_